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BACKGROUND NOTES ON MIDDLE EAST
(Comments on items in "Specific Policy Guidance")

I. Arab-Israeli Dispute

Latest development is agreement achieved by UN efforts with Israel and Jordan over much-troubled Mt. Scopus area near Jerusalem. This agreement still seems at best a temporary one, however, and does not appear to open the door to additional negotiations. UN Security Council meets 22 April to take up again Jordanian complaints about Israeli "tree planting" in Jerusalem neutral zone. Arab-Israeli borders relatively quiet; still no signs that Egypt intends force UNEF out at an early date.

II. East-West Conflict

Syrian and Egyptian propaganda media, often under influence or control of leftists, continues to portray Western efforts such as Baghdad Pact as positive moves to preserve or extend "imperialist" influence. Even now, when important elements in Syria and Egypt seem to be seeking some rapprochement with US, Ankara meetings next week cited as renewal of alleged Turkish military "threat" to Syria.

III. Arab Nationalist Aspirations (includes Egyptian-Syrian union)

Egypt and Syria may announce soon the beginning of negotiations toward union in federal constitution with next August as target date. Nasir would be the president of the union. This would be the first major step towards ultimate ideal of Arab unity since individual states gained independence. [] Nasir

has been wary of adding Syria's troubles to his own, but Syrians who see union as the panacea to save them from internal Communism and Soviet influence have generated so much heat that consummation some kind of union could come this year.

IV. Egypt

Syrian-Egyptian union is less of a real and immediate problem for Nasir than economic difficulties. Egyptian foreign exchange is practically exhausted. Unless negotiations with UK bring release by London of some \$50,000,000 held there, Suez Canal receipts will be Egypt's only important source of exchange. Egypt needs foreign exchange to buy raw materials and replacement parts for machinery produced in West. Egypt in the last month has sold 7.5% of its \$188,000,000 gold reserves. Nevertheless, Nasir probably will not sacrifice political policies to ease his economic position.

V. Syria

Internal factionalism temporarily concealed by unanimity of statements favoring Syrian-Egyptian union. Communists, however, are covertly seeking to sabotage the union plans, since they fear that Egyptian control would mean suppression of their activity. If they fail to block union, the Communists will, of course, make a major effort to infiltrate the new government structure, and the problem they would pose in Syria would be considerably more difficult than the one they have posed in Egypt.

VIII. Iraq

Present Mirjan cabinet is very weak, as indicated by the fact that ex-prime minister Nuri Said rather than the present prime minister is heading the Iraqi delegation to the Baghdad Pact meetings. But internal security still good.

IX. Lebanon

Internal security is still major problem; bombings, inspired by Egyptian and Syrian agents, are chronic. Problem can be expected to increase as political tempers rise over forthcoming presidential elections. Chamoun, constitutionally barred from second term, seems determined to run again. His opponents are bitter, and both sides will call for outside help.

X. Yemen

Newest example in area of extension of Soviet economic and military aid formulae. Soviet ambassador, resident in Cairo, this month presented credentials in Yemen and confirmed \$35,000,000 dollar economic aid offer. Chinese Communists have given Yemen a \$16.3 million dollar interest free development loan. This brings total Bloc aid, delivered or offered, to \$61 million. Crown Prince Badr, main booster of Bloc aid, has just returned from trip to Eastern Europe, Moscow and Peking (his talk on Moscow television last week painted Soviet-Yemen relations in very warm terms). Badr, while he may not have the last word, pretty well has the strings of government in his hand. The disease-ridden Imam continues to seek to hire Bloc personnel to help run his new military equipment, and meanwhile keeps up his running fight with the UK over Aden Protectorate.

XI. Sudan

Parliamentary elections 27 February likely determine whether Prime Minister Khalik, who has been holding the line against Soviet Bloc influence, will continue strong enough to do so. Too many unknowns in this primitive country to permit prediction at

XII. Oil

Saud this week approved deal with Japanese breaching 50-50 profit formula. Neither party may like new arrangement after they see it an operation in off-shore areas of Persian Gulf.